

## Message Text

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41

ACTION EUR-12

INFO OCT-01 ISO-00 EB-07 SP-02 USIA-06 AID-05 NSC-05

CIEP-01 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

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FM AMEMBASSY ROME

TO SECSTATE WASHDC 1037

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USMISSION OECD PARIS

DIA WASHDC

USMISSION EC BRUSSELS

USMISSIO NATO

AMCONSUL MILAN

AMCONSUL NAPLES

USCINCEUR VAIHINGEN GER

USDOCOSOUTH

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TREASURY FOR SYVRUD

USDOCOSOUTH FOR INTAF

E.O. 11652: N/A

TAGS: PINT, ELAB, PINR, IT, EFIN

SUBJECT: LABOR AND GOVERNMENT TO CONFER ON AUSTERITY:

TENSION IN PUBLIC SECTOR

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REF: ROME 17801 AND 17357

1. SUMMARY: THE RESPONSE OF ORGANIZED LABOR TO THE GOVERNMENT'S AUSTERITY MEASURES IS ENTERING A CRITICAL PHASE. IN ORDER TO REGAIN CONTROL OVER THEIR CONSTITUENTS, THE NATIONAL LABOR LEADERSHIP HAS BEEN FORCED TO ESPOUSE AT LEAST PART OF THE GRASS ROOTS RESISTANCE TO THE GOVERNMENT'S PROPOSALS. NEGOTIATIONS FOR THE RENEWAL OF PUBLIC SERVICE CONTRACTS ARE AT AN IMPASSE DUE TO THE GOVERNMENT'S REFUSAL TO GRANT ANY INCREASES; A SERIES OF PUBLIC SERVICE STRIKES HAS BEEN ANNOUNCED. TOP LABOR LEADERS MEET WITH THE PRIME MINISTER TOMORROW MORNING TO LEARN THE GOVERNMENT'S LATEST (PRESUMABLY REVISED) AUSTERITY INTENTIONS, AND TO PRESENT LABOR'S OWN POINT OF VIEW. END SUMMARY.

2. THE LEADERS OF THE THREE MAJOR LABOR CONFEDERATIONS ARE CONTINUING THEIR EFFORTS TO MASTER THE SITUATION CREATED PURSUANT TO THE SERIES OF ANNOUNCEMENTS OF AUSTERITY MEASURES PROCLAIMED BY THE GOVERNMENT. THE RELATIVELY COOPERATIVE ORIGINAL RESPONSE OF THZJCONFEDERATIONS TO THESE MEASURES HAS NOT BEEN SHARED BY LARGE SEGMENTS OF THE RANK AND FILE. CONSEQUENTLY, LABOR LEADERS, BEGINNING AT THE LOCAL LEVEL AND CONTINUING ON UP THE HIERARCHY TO THE LEADERS OF THE VARIOUS NATIONAL UNIONS, HAVE PLACED THEMSELVES IN OPPOSITION TO THE GOVERNMENT PROPOSALS -- PARTICULARLY THE SCHEME TO ALTER A PART OF THE WAGE ESCALATION SYSTEM. THE RESULT HAS BEEN THE PROCLAMATION OF A SERIES OF STRIKES, HERETOFORE DISTRIBUTED REGIONALLY AND BY SECTORS IN SUCHHQ WAY TO FORESTALL A NATIONAL GENERAL STRIKE.

3. COMPLICATING MATTERS IS THE SITUATION IN THE PUBLIC SERVICE SECTOR WHERE TRIENNIAL LABOR CONTRACTS ARE UP FOR RENEWAL. THE GOVERNMENT HAS TOLD THE UNIONS THAT, IN EFFECT, NO PAY INCREASES ARE POSSIBLE AT THIS TIME. PREDICTABLY, THIS HAS NOT SET WELL WITH THE PUBLIC SERVANTS WHO, AS A GROUP, ARE VERY NEARLY AS MILITANT AND AS STRIKE-PRONE AS ANY WORKERS IN PRIVATE INDUSTRY. SINCE PAY INCREASES, RANGING VERY ROUGHLY FROM SEVEN TO FIFTEEN PERCENT, HAVE BEEN WON OVER RECENT MONTHS THROUGHOUT THE PRIVATE SECTOR, AND SINCE NATIONAL STATE EMPLOYEES ARE GENERALLY PAID LESS WELL THAN THEIR COUNTERPARTS IN INDUSTRY (THIS STRICTURE DOES NOT APPLY TO THE WELL-PAID LIMITED OFFICIAL USE

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PARASTATAL AND REGIONAL GOVERNMENTAL EMPLOYEES WHO ARE ALSO SEEKING CONTRACT RENEWAL), A CERTAIN RIGHTEOUS INDIGNATION IS ADDED TO THE NATURAL DISAPPOINTMENT OVER THE GOVERNMENT'S POSITION.

4. THE PREDICTABLE RESULT HAS BEEN THE PROCLAMATION OF A SERIES OF 24-HOUR STRIKES. RAILROAD WORKERS BELONGING TO CCU AFFILIATES, ALONG WITH POSTAL, TELEGRAPH, STATE MONOPOLY AND STATE TELEPHONE EMPLOYEES, WILL STRIKE ON NOVEMBER 12 (THE

RAIL STRIKE BEGINS AT 9:00 P.M. ON NOVEMBER 11; THIS STRIKE IS IN ADDITION TO A PARTIAL STRIKE OF INDEPENDENT RAILROAD UNIONS ON NOVEMBER 15). ON NOVEMBER 16, EMPLOYEES OF NATIONAL MINISTRIES AND OF REGIONAL AND LOCAL GOVERNMENTS, TOGETHER WITH HOSPITAL WORKERS, WILL BE ON STRIKE. TEACHERS AND EDUCATIONAL PERSONNEL WILL STRIKE ON NOVEMBER 18. THEN, ACCORDING TO PRESENT PLANS, ALL OF THESE GROUPS WILL STRIKE SIMULTANEOUSLY ON NOVEMBER 23.

5. FRANCO MARINI, CISL NATIONAL SECRETARY WHO IS ONE OF THE PRIME COMPETITORS IN THE SUCCESSION TO CISL LEADERSHIP AND WHO HIMSELF DERIVES FROM THE PUBLIC SECTOR, HAS SOUGHT TO AMELIORATE THE SITUATION BY PROPOSING THAT, IF PUBLIC SERVICE EMPLOYEES ARE TO RECEIVE NO INCREASES, ALL PLANT-LEVEL WAGE NEGOTIATIONS IN PRIVATE INDUSTRY BE SUSPENDED. THIS HAS BEEN MET WITH DETERMINED OPPOSITION FROM BOTH THE INDUSTRIAL UNIONS AND THE EMPLOYERS. THE LATTER EVIDENTLY FEEL THAT SUCH A SCHEME COULD ONLY SERVE TO CREATE MAJMH LABOR UNREST WITH CONSEQUENT DIMINISHED PRODUCTIVITY.

6. BOTH THE UNIONS AND GOVERNMENT HAVE BEEN CONDUCTING INTENSIVE INTRAMURAL DISCUSSIONS IN RECENT DAYS. TOMORROW MORNING (NOVEMBER 9), TOP CCU LEADERS WILL MEET WITH PRIME MINISTER ANDREOTTI AND CERTAIN CABINET MEMBERS TO DISCUSS THE PRESENT SITUATION. IT IS EXPECTED THAT THE GOVERNMENT WILL PRESENT ITS LATEST AUSTERITY PROPOSALS, POSSIBLY INCLUDING A REVISION OF THE SCHEME TO FREEZE A PART OF THE WAGE ESCALATION PROCEDURE AS WELL AS PROPOSALS ON "FISCALIZATION," I.E., THE PLAN TO GRANT SOME LABOR COST RELIEF TO PRIVATE EMPLOYERS BY ASSUMING A PORTION OF THE COSTS OF SOCIAL SECURITY CONTRIBUTIONS. IN SUCCEEDING DAYS, THE UNIONS CAN BE EXPECTED TO CRYSTALIZE THEIR POLICIES TOWARD THE GOVERNMENT'S MEASURES. THE GOVERNMENT, IN TURN, IS IN THE PROCESS OF SELLING ITS PROPOSALS TO LIMITED OFFICIAL USE

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THE VARIOUS POLITICAL PARTIES. VOLPE

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## Message Attributes

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